

## General Services Administration Definition.

Asset management is the general term used to define the relationship between a real property holding entity and the real property that such an entity holds an interest in. This relationship includes, but is not limited to, the financial management of such assets, the day-to-day management of the real property itself, and maintaining the satisfaction of the tenants that occupy the space that defines the real property asset. This relationship covers the life cycle of a real property asset - its acquisition, utilization and disposal. Asset management succeeds when such organizations adopt effective asset management principles and use strategic planning as the framework for making real property asset management decisions.

The Government wide Federal real property asset management definition and principles are attached.

Asset management is the general term used to define the relationship between a real property holding entity and the real property that such an entity holds an interest in. This relationship includes, but is not limited to, the financial management of such assets, the day-to-day management of the real property itself, and maintaining the satisfaction of the tenants that occupy the space that defines the real property asset. This relationship covers the life cycle of a real property asset -- its acquisition, utilization and disposal.

Examples of entities that hold real property assets, and are therefore involved in the management of them, include corporations that own or lease commercial properties, pension funds that own real property on behalf of fund members for purposes of enhancing fund wealth, and the United States Government which owns and leases real property in order to perform services on behalf of the citizens of the United States. Asset management succeeds when such organizations adopt effective asset management principles and use strategic planning as the framework for making real property asset management decisions.

The following asset management principles are intended to help all agencies Governmentwide with real property asset management responsibility. They should be used as guides to assist real property asset managers in making sound asset management decisions, to help reduce costs associated with managing real property assets, to provide incentives to improve real property asset management, and to increase the efficiency and maximize the performance of the portfolio of Federal real property assets that they manage.

These asset management principles should be applied to all phases of the life cycle of a real property asset in order to provide a "baseline" whereby all Federal

landholding agencies are working in the same, or similar manner, and to encourage better communication among such agencies to enhance the overall asset management functions of Federal Government's real property activities.

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### **PRINCIPLE #1**

#### **USE WHAT YOU HAVE FIRST**

Real property assets under the custody and control of the Federal Government should be considered first when accommodating Federal agency mission requirements.

#### **DEFINITION:**

Federal agency program missions generally require real property assets to support them. This can be reflected in the need for office, warehouse, laboratory or other improved or unimproved real property. To meet these mission needs Federal agencies should first review their current real property inventories to determine whether they have the space on hand to satisfy new mission requirements. If there is insufficient space to satisfy a new program need, agencies should then look to the inventory of other Federal agencies to determine if they have either unneeded or underutilized space. In this way the entire inventory of Federally-controlled space can be screened first before looking outside the Government to satisfy agency space needs.

#### **EXAMPLE:**

Agencies often have new requirements for space based on a variety of needs, such as expanded agency program missions or the consolidation of staff from other locations. Whenever this occurs, agencies should first review their current inventory of real property assets to determine if they have space on hand that can meet the need. Such an exercise is practical for a variety of reasons -- the time needed to find new space is cut dramatically, current space will usually be less expensive than newly acquired space, currently held space can often be found near the location of the new requirement which can cut overhead and, most important, it is best to use space that is on hand rather than acquire new space while leaving empty or underutilized space as is.

To assist Federal agencies in satisfying these space requirements, GSA has established and implemented a Real Property Information Clearinghouse. The clearinghouse is an electronically connected network of building and facility information and data, organizational structures, policies and procedures that is shared by and benefits real property professionals. The clearinghouse routes users to this information and data, which is made available by Federal Government agencies and commercial realty firms. The clearinghouse allows users to perform queries, print information and download files.

**PRINCIPLE #2****BUY ONLY WHAT YOU NEED**

The amount of interest in Federal real property assets should be the minimum necessary to effectively support a Federal agency's mission.

**DEFINITION:**

The interest that is acquired in Federal real property assets should be no more than the minimum needed to accommodate a Federal agency's program mission requirements today and in the foreseeable future. To go beyond these minimum requirements would be inappropriate, as taxpayer dollars will have been spent without the appropriate justification, and the mission requirement may have terminated while the useful life of the interest invested in the real property may have years remaining, resulting in the loss of millions of dollars.

Interest in Federal real property can have various meanings such as the type of ownership interest (leased or owned), the term of the interest if leased, the interest in terms of the capital improvements to the real property, or the amount of space, to name a few. The interest in the asset equates to the amount of time the space is leased, the amount of money expended to build or modernize the property, or the amount of space that the Government has acquired -- the more of any of these, the more interest the Government has in the real property asset.

**EXAMPLE:**

Federal agencies require real property to accomplish their program missions. Since agency programs are the driving force behind the need for real property assets, it follows that the mission need will also drive the amount of interest that the Government invests in the asset as well.

If an agency has a requirement to conduct a study that will last a limited period of time, such as a few years, the space requirement will likely be for leased space, as the purchase and/or construction of a new facility would go far beyond the mission requirement of the agency. However, if an agency's headquarters occupies a Federal building that has outlived its useful economic life, and the need for a consolidated headquarters still exists, then the construction of a new building may be called for. The difference between these two cases is an example of the different space needs that exist for agencies today based on program missions, and the range between the degrees of interest in the real property that must satisfy them. Real property asset managers should be cognizant of these requirements, the importance of not exceeding them, and the need to match mission needs with the most appropriate real property interest so that taxpayer dollars are spent in the most economical and cost-effective manner.

**PRINCIPLE #3****USE INDUSTRY-LIKE INSTRUMENTS OF AGREEMENT**

Real property assets of the Federal Government should be utilized among agencies with the use of instruments of agreement that follow the best practices of the industry.

**DEFINITION:**

In order to best utilize the Federal Government's real property assets, the agencies that use them must work together toward a common purpose to ensure that the assets are utilized to the maximum limit of their useful economic life while still satisfying the mission requirement of the occupying agency. In order to do this, agencies must work together by comparing space needs, sharing information on space that others may use, and being willing to release space when it is no longer needed, rather than holding onto it for a need that is likely never to materialize. To assist in this effort, agencies need to use instruments of agreement that follow the best practices of industry.

**EXAMPLE:**

A common example of an instrument of agreement that is used between real estate entities is an occupancy agreement, which is an agreement defining the relationship between a landlord and tenant. An occupancy agreement will define the terms and conditions set forth between the parties, and will describe their duties and responsibilities. Such agreements are useful because they are written documents that reflect the understanding of each of the parties, and hold them together for a joint purpose and for a specific period of time.

Since an occupancy agreement may not be a legally binding contract, both parties to the agreement are exposed to risk. However, there must be a responsibility on all parties to adhere to the terms of the agreement, thus achieving more businesslike practices and higher levels of performance among agencies.

**PRINCIPLE #4****REINVESTMENT IS ESSENTIAL**

Reinvestment in a real property asset is essential to maintain its fair market value, its ability to benefit from advancements in business practices and technologies, and to support the Federal mission and enhance employee productivity.

**DEFINITION:**

Regardless of whether the real property asset is owned or leased by the

Government, if it is determined that the asset's continued use is needed, reinvestment in it may be necessary. If the asset is owned by the Government, reinvestment may be required to maintain the asset's fair market value, not to mention maintaining its condition to benefit from advances in business practices and technologies, and to enhance employee morale and productivity. Reinvestment in a leased asset is the responsibility of the property owner. It is needed in order for the property to be acceptable to the Government's requirements of realizing the benefits from advances in business practices and technologies, and to enhance employee morale and productivity as well.

**EXAMPLE:**

If it is determined that the continued use of a real property asset is needed, the task of the asset manager begins with assessing the physical status of the real property, whether owned or leased. Engineering reports determine what the condition of a property is and what improvements, either capital or otherwise, must be made to bring the property up to industry standards. Technological innovations may have been developed that could bring employee productivity and morale to a higher level as well.

An engineering report can be used to assess the physical status of either a Federally-owned building or one that is leased. In the case of Federal ownership, a capital improvement will usually be managed by the GSA Property Development Division, or a similar activity in support of an agency with real property controlling authority, such as the U. S. Army Corps of Engineers. In leased space, the lessor is responsible for these improvements as a condition of the lease.

Besides assessing the physical status of the property, the real property asset manager must also determine when reinvestment should occur. Determining the cost of funds is harder when the asset is Federal real property, as these costs are more difficult to define than in private industry where the manager goes to his/her lender and gets the best rate he/she can obtain. The cost of funds, as well as the timing of their disbursement, must be calculated by the asset manager in order to obtain the lowest cost for capital improvements.

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**PRINCIPLE #5**

**INCOME/EXPENSES COMPARABLE TO THE MARKET**

Any income realized by a real property asset during its useful life should approximate that generated by a comparable commercial property; while any expense by such an asset during its life cycle should approximate that incurred by a comparable commercial property.

**DEFINITION:**

All income and expenses associated with a Federal real property asset should be

approximate to current fair market value. The income generated by such an asset should approximate the income that a similar commercial real property asset would generate. Likewise, the expenses of leasing space or of maintaining a Federal real property asset should approximate the expenses of a comparable commercial property.

Income associated with real property assets includes the income that an asset derives in the form of Rent paid to the Government by an occupying agency or an outlease tenant, as well as income generated by the disposal of the real property asset. Expenses associated with real property include the rent for the space if leased by the Government, as well as the cost of materials, goods and services associated with an asset's utilization.

**EXAMPLE:**

Income derived from real property assets is realized through the rent stream that the occupants pay to the owner, or through the disposal of the asset through sale or other means. Rental income generated by Federal real property assets applies when rent is paid by a tenant to GSA or the agency that is the Federal custodian of the real property asset, and should approximate the rent paid by tenants in the commercial market. When a Federally-owned real property asset is disposed of, the income generated should approximate that associated with the disposal of a similar commercial real property asset.

When the Government leases space in the market it incurs rental expenses that should approximate the rent for similar commercial space. For example, when GSA leases space to house a Federal tenant, the rent it pays should be at commercial market rates. Similarly, when GSA houses either a Federal or an outlease tenant, the rental expense to GSA that the tenant incurs should approximate what it would pay to a private landlord in the commercial market. The expenses associated with the utilization of real property should also be approximate to the commercial market. The Government should pay commercial rates for services and supplies required for the day-to-day operation and maintenance of real property assets.

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**PRINCIPLE #6**

**MAXIMIZE USE AMONG AGENCIES**

The maximum utility of a real property asset can be realized if it is continuously transferred among agencies having mission needs while it is under the control of the Federal Government.

**DEFINITION:**

Real property assets include buildings that can often be used by any number of different Federal agencies. This holds true for Federal buildings that were

originally constructed to house the headquarters of an agency, and for leased space that has been acquired for long term use. Regardless of the type of space, the location, the amount of space or what the original tenant was, real property by its nature is something that can be used by any tenant if it can satisfy its space and mission needs.

The policy of the Federal Government is to use real property to its maximum benefit. This includes making every effort to find agencies that can use the property if it is planned to be declared excess. Optimally, a real property asset should be promptly transferred from one agency to another as one agency's need expires and another's begins. This transfer of real property among agencies is a critical measure toward achieving this goal, and its success is based on adequate communication among all Federal agencies, to include GSA as well as all agencies with their own real property authority.

**EXAMPLE:**

The GSA is a large holder of Federal Government real property. Whenever GSA has property that has been declared excess by one of its customer agencies, it screens it and makes every attempt to backfill the space with another agency before finding it surplus to the needs of the Government. Depending on the needs of GSA's customer agencies, if a property is suitable it will be utilized as quickly as possible.

Federal property that is under the custody and control of other agencies should be dealt with in the same manner. The only way that this can occur, however, is to have communication that will link agencies to one another, as well as establishing an atmosphere of collaboration among the family of Governmentwide agencies that have their own real property authority. At the present time, GSA's Office of Real Property is establishing a real property information clearinghouse which will include excess property for use by all Federal agencies. It is hoped that this database will assist agencies in achieving the maximum utilization of their real property assets, especially in these times of diminished resources.

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**PRINCIPLE #7**

**TIMELY DISPOSAL**

A Federal real property asset that has no further mission support use by the Federal Government should be disposed of timely and in a manner that best serves the public interest.

**DEFINITION:**

Assuming that a property under the control of the Federal Government has no agency that can use it for any mission support related purpose, and the attempts to find another agency to utilize it have not yielded a user, the real property should be

disposed of timely, efficiently, and in a manner that best serves the public interest. The disposal of Federal real property is a very involved and complex task. If properly done, the disposal can result in a smooth transition of ownership and can often produce a return to the Government that is in the best interest of the taxpayer, whether donated at no cost or sold at the highest price the market will bear.

**EXAMPLE:**

A real property asset that has no mission support potential for use by any agency of the Government should not be held for any appreciable period of time. Assuming there is no future mission related need, the asset should be disposed of as quickly and as expeditiously as possible, and in a manner that best serves the public interest.

Real property disposal is explained in detail in many different public laws, Executive Orders, Congressional mandates and agency policies. Regardless of the authority that the real property disposal falls under, however, the asset should be disposed of in the most efficient way possible. Under certain cases Federally-owned real property can be conveyed to state and local governmental units and non-profit institutions free of cost, and for a variety of public uses such as education, health, park and recreation, and historic monuments. An example of an educational usage would be the conveyance of a former Federal property to a local municipality for the establishment of a high school facility. Although no moneys are generated by such a public benefit transfer, the public interest is served by the means of such a conveyance.

If a property is not being donated through public benefit conveyance, a public sale can be conducted and the property sold to the highest bidder or offeror. As a last resort, if the property is unable to be sold or donated due to age, disrepair or extensive damage, it should be demolished and the land used for another Federal purpose, or disposed of in its own right, while serving the best public interest as well.

**PRINCIPLE #8**

**RETAIN PROCEEDS FROM DISPOSAL AND OUTLEASING**

The proceeds gained from the disposal of a Federal real property asset, or from outleasing, should be available for use by the agency having custody, control and use of the asset.

**DEFINITION:**

Proceeds that are generated by the disposal of a Federal real property asset, or from outleasing of space, should be available for use by the agency having custody, control and use of it. Financial incentives should be put in place in order



to encourage real property disposal and the outleasing of unused space. In the case of agencies covered under the Federal Property and Administrative Services Act of 1949, as amended (the "1949 Act"), there is no incentive to dispose or outlease real property when the proceeds go into another fund out of the agencies' control. Likewise, in the case of some landholding agencies that have their own disposal or outleasing authority, there could be increased incentives put into place as well. (There are individual agency exceptions to where proceeds are deposited).

**EXAMPLE:**

Before real property under the custody, control and use of agencies covered under the 1949 Act can be disposed of, it must first be declared excess by GSA. If an agency has a property that is no longer needed, it is declared excess and screened by GSA in order to find an agency that has a need for it. The property is then transferred to that agency and, if monetary proceeds are generated, they are deposited into the General Fund of the Treasury. Only after it is found that the property has no Federal use is it declared surplus to the needs of the Government and then disposed of by GSA. Pursuant to the Federal Property Management Regulations, if monetary proceeds are generated from the disposal of surplus property, they are deposited into the Land and Water Conservation Fund of the Treasury.

In the case of real property not under the custody, control and use of agencies covered under the 1949 Act, the proceeds from disposal do not necessarily go into the Land and Water Conservation Fund or into the Treasury General Fund. In some cases these agencies have the statutory authority to retain some, if not or all, of the net proceeds from the disposal of their real property assets.

In most cases where agencies have the authority to outlease real property under their custody, control and use, they are not authorized to retain the proceeds.

There is an overwhelming need to increase the incentives to dispose of real property above what is currently in place, even at the potential cost of impacting the Land and Water Conservation Fund. Likewise, there can be uses for real property outside of the Government whereby a controlling agency could outlease space to a private sector tenant for a limited period of time. Federal agencies will be more willing to dispose of real property assets, or outlease them, if they know that the proceeds will be retained, rather than placed in a fund that is beyond their control. This is critical in today's changing environment and in times of increasingly short supply of resources.

**PRINCIPLE #9**

**PROFESSIONAL TRAINING**

Federal employees should be given the training needed to perform their jobs at the highest level of professionalism. and in order to utilize models and other analytical

tools for optimizing their real property asset management decisions.

**DEFINITION:**

The tasks associated with real property asset management are many and varied. Not only does asset management include the day-to-day management of the physical property representing the asset, it also involves the management of the cash flow generated by the asset, the long term strategic planning for capital improvements that the asset may require, and the arranging for continued use and occupancy of the asset. In the case of Federally-controlled real property assets, this includes finding the appropriate Government agency for buildings and space that are underutilized or in the vacant space inventory.

Training is a means to achieve expertise, and so is job rotation and on-the-job learning. Federal personnel involved in real property asset management should be highly trained in a variety of areas. These areas of expertise are taught in recognized industry courses that specialize in all aspects of real property asset management, such as the courses offered by the Building Owners and Managers Association and other appropriate organizations.

With the proper training and guidance, the agencies of the Federal Government will have employees who are current and competent experts in the real property asset management field, who can discuss real property asset management related issues with anyone, and who can deal with the long range planning and evaluation of assets for the maximum use and benefit to the public.

**EXAMPLE:**

Employees of any Federal Government agency directly involved with real property asset management can take a variety of courses that are available to professionals in the industry. These courses specialize in all of the different areas of real property asset management. Combined with hands-on experience, the Government's real property asset managers can and should be on a level with any asset manager in private industry. This is even more important in these times of increasing responsibilities of asset managers, as well as with the personnel and resource reductions that are taking place in Government.



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